

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 338 - HB 1299

March 9, 2017

SUMMARY OF BILL: Requires the Secretary of State (SOS) to determine if a property has been annexed by a municipality, when a review is requested by a property owner. Requires any municipality which assessed property taxes on a property which is ruled to not have been annexed by the municipality to refund all such taxes to the property owner, with interest.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – Exceeds \$500/Each Instance

Other Fiscal Impact – Any portion of repayment considered interest on refunded municipal property taxes assessed in error is considered a mandatory expense on local government.*

Assumptions:

- Municipalities will be required to provide the SOS with ordinances and results of referendums on annexation upon request.
- According to the Department of State, the review and determination of municipal boundaries upon request can be accomplished with existing staff and resources.
- If a property is determined to not lie within municipal boundaries but such property has previously been assessed municipal property taxes, the taxing municipality is responsible for repayment of paid taxes, plus interest to the property owner.
- Due to multiple unknown factors such as how many property owners will request review by the SOS, how many properties will be determined to lie outside of municipal boundaries, how many such properties were assessed municipal property taxes in error, and the extent of any municipal property taxes to be refunded, a precise decrease in local government revenue cannot be determined, but is reasonably estimated to exceed \$500 each instance.
- The extent of any interest to be paid to property owners by municipalities is unknown due to multiple unknown factors; however any increase in local expenditures for payment of such interest is considered mandatory.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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